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SUBJECT: AMBASSADOR'S VISIT TO BIZERTE: ECONOMIC RESILIENCE
AND OPTIMISM

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Sensitive but unclassified; please protect accordingly.

Summary

¶1. (SBU) The Ambassador paid a courtesy call on an American auto components manufacturing plant, the president of a government-run business park, and business leaders in Bizerte on January 12. The discussions centered on the effects of the economic crisis, the state of foreign investment, and perceptions of the United States. Overall, the companies reported minor setbacks at the beginning of the crisis in early 2009 and a bounce back and recovery by the end of that year. In fact, the Parc d'Activites Economiques de Bizerte (Bizerte Economic Activity Park) reported a significant increase in foreign investment in 2009. The reasons for this resilience, according to the private sector representatives, is that Tunisia has captured business displaced from larger markets. End summary.

Visit to ACT/CASCO

¶2. (SBU) The Ambassador paid a courtesy call on Automotive Components Tunisia, a subsidiary of Casco Global, a U.S.-based mechanical components manufacturer. ACT/Casco is the world market leader in cigarette lighters, USB ports and a range of sensors, which they sell to European and American car manufacturers. Their factory in Tunisia is their largest worldwide operation, with over 300 employees and over 20 billion euros in revenue for 2009. ACT/Casco has been operational in Tunisia since 2002 under the offshore, export-only model. It is located in the Menzel Bourguiba Bizerte Economic Activity Park, part of the larger Bizerte Economic Activity Park.

¶3. (SBU) Beji Beligh, ACT/CASCO Tunisia's General Manager, noted sales had slumped in February 2009 due to the crisis, but that they had bounced back robustly and helped the company achieve overall growth in 2009. The reason for this was both displaced production from more expensive ACT/Casco locations in Europe, which were forced to downsize, and an increase in European government programs designed to promote car purchases.

A GOT-funded Business Park

¶4. (SBU) The Ambassador called on Kamel Belkahia, President of the Parc D'Activites Economiques de Bizerte (Bizerte Economic Activity Park), the free trade zone where ACT/Casco and other American offshore companies are operating. The park, divided into three parcels totaling over 80 hectares of land, houses mostly manufacturing enterprises and some service providers and employs over 5,500 people. Near the port of Bizerte, the park alone is responsible for 2.2 percent of Tunisia's total exports (over \$388 million) and 30 percent of the exports for the Governorate of Bizerte. Belkahia, who is a former mayor of Bizerte and headed its Chamber of Commerce, told the Ambassador he was moving on from the Park this year to head up a new Government of Tunisia (GOT) initiative, an agriculture-focused technopole which would have 60-80 percent private capital, and include a research and development (R & D) component and an entrepreneurship center.

¶5. (SBU) Belkahia noted the effect of the economic crisis on the Park, whose economic slump mirrored the national average of 15-20 percent reduction in exports. Textiles and plastics had resisted the crisis, he said, but some companies, like an Italian pleasure boat manufacturer, had taken a harder hit. Belkahia referenced the GOT's assistance to struggling companies in 2009, and said it would continue in 2010. Investment, surprisingly, had actually increased over 2009) seven new companies joined the park and created enough employment to offset crisis-related job losses.

¶6. (SBU) When the discussion moved to bilateral commercial relations, Belkahia said the onus was on Tunisia to promote itself as an investment climate and to seek partners for R &

D initiatives such as the agricultural technopole. Currently, many of these institutions have linkages with European counterparts due to geographical proximity, but Tunisia does not know much about these activities in the United States. He added that the youth in Bizerte were dynamic, and had new approach to collaboration with foreign counterparts, and that both countries should seize upon this.

Business Leaders on Economic and Political Issues

¶7. (SBU) The Ambassador met with prominent Bizerte business leaders and heard their opinions on bilateral relations, the regional business climate, and the effects of the economic crisis. In attendance were Ali Belakhoua (dual Tunisian-American citizen, Ruling Constitutional Democratic Rally (RCD) member, and owner of an electronics component factory), Imed Ouardi (owner of an IT company and RCD member), and Jalel Zaghouani (Operations Coordinator for Pioneer Natural Resources, an American oil company). All attendees agreed the image of the United States in Tunisia was quite positive, even a year on from the inauguration of President Obama. However, they noted most Tunisians did not look to the U.S. market, especially because of a lack of outreach and visible U.S. investments in Tunisia.

¶8. (SBU) Ali Belakhoua told the Ambassador about a trip he took last year to a meeting of businessmen in the Maghreb, where the topic of discussion had been Maghreb integration. Aside from the language barrier at the meeting (which was conducted in French, prompting criticism from the Libyans), he described the climate as positive but indicated serious non-political barriers to trade existed. Belakhoua and Ouardi agreed that Tunisian businessmen were afraid to go to Libya and Algeria because of the banking system, and rumors that companies had gone bankrupt waiting for payment from Libyan or Algerian counterparts. On the IT sector, Ouardi said the Tunisian market would remain small despite liberalization, and that Tunisia needed to reach outwards to grow. He added that Tunisia's biggest export should be human capital.

¶9. (SBU) The economic crisis did not seriously affect Belakhoua's, Ouardi's, or Zaghouani's companies. In fact, participants agreed that the average Tunisian had not been affected by the economic crisis in their day-to-day life. A bigger crisis, they said, was Tunisia not getting into the World Cup. Belakhoua, whose name was put forward as a candidate for the National Soccer Federation (reftel), added that soccer continues to be an important proxy for politics in Tunisia, and added he had heard rumors the United States national team was possibly coming to Tunisia for a friendly match in the lead up to South Africa. (Note: We checked with the National Soccer Federation and the rumor is not true. Rather, the U.S. team was entertaining the idea of inviting Tunisia to play in the U.S., but the Federation now believes this possibility is highly unlikely. End note.)

Comment

¶10. (SBU) The trip to Bizerte provided an opportunity to reach out to important business leaders of the region and to discuss bilateral commercial issues with an investment-promotion arm of the GOT. Although a large portion of Bizerte's economy is auto and electrical component manufacturing (one of the hardest hit export sectors), the economic crisis's effects are not overtly visible there. New investment seems to have offset any job loss due to the nationwide export slump. The GOT is optimistic about growth for 2010, and if Bizerte's realities in late 2009 have been any indication, the optimism may be well-founded. End comment.
GRAY